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**BEFORE THE  
SURFACE TRANSPORTATION BOARD  
Washington, D.C.**

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The Indiana Rail Road Company – Abandonment--  
Exemption – Martin and Lawrence Counties,  
Indiana  
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) AB 295 (Sub-No. 7X)  
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**RESPONSE OF THE INDIANA RAIL ROAD COMPANY  
TO STATEMENTS AT THE PUBLIC MEETING HELD  
MARCH 5, 2010 IN SALEM, IN**

The Indiana Rail Road Company (“INRD”) attended the STB’s Public Meeting on this matter held on March 5, 2010 in Salem, IN. Mr. John Rickoff, INRD’s Executive Vice President, Mr. David Long, INRD’s Director of Marketing, Mr. Chris Rund, INRD’s Director of Communications, and Mr. John Broadley, INRD’s STB counsel, were all present. This level of representation underscores both the importance INRD attaches to this abandonment, and INRD’s commitment to, and support for, business development in Indiana, including in the Bedford area.

First, the Crane-Bedford abandonment is essential to support INRD’s capital program which in turn is necessary to handle traffic growth on other parts of INRD’s system. As Mr. Hoback, INRD’s president, pointed out in his verified statement, the assets to be salvaged from the Crane-Bedford line will be used to make capital investments to support increased rail business on other parts of its system. Second, INRD understands the advantages of the availability of rail service in bringing new business to an area, and is willing to play its part in supporting the business community’s development efforts in the Bedford/Mitchell area. INRD is currently working with the interested parties on a solution that furthers both the business

development interests of the cities of Bedford and Mitchell, and of Lawrence County and also permits INRD to meet its capital needs.

1. Redeployment of assets on INRD's system is essential.

In his verified statement filed in support of this exemption proceeding, Mr. Tom Hoback, INRD's president and part-owner, described INRD's efforts to develop new rail business in Indiana and the success those efforts have had and are having. On some parts of the system, rail traffic will grow by more than 50% over the next five years. This traffic growth makes it essential that INRD make major capital investments, particularly in upgrading existing track and constructing new sidings, to handle this traffic growth.

Capital, however, is limited, for INRD, for CSXT, and for the nation as a whole. Capital that is tied up in unused or under-used lines is not available to support rail service on lines where traffic is growing. That is the situation INRD faces today. The Crane-Bedford line is no longer needed or useful for overhead traffic moving to and from Louisville, and the online business amounts to about 30 carloads of scrap per year delivered to Shipper A in Bedford, IN. In contrast, INRD's new access to mines at Oaktown and Carlisle, IN, and INRD's new spur track currently under construction to Peabody Coal's new Bear Run mine in Sullivan County, IN will bring many millions of tons of additional business onto INRD's system over the next five years. These are not the only business development initiatives INRD is pursuing.

INRD reached the decision to abandon the Crane-Bedford line because of its urgent need to redeploy the assets tied up in that underused and unneeded facility to those parts of its system where traffic is growing. INRD's capital budget for 2010 is approximately \$9-\$10 million and the capital budget for 2011 will be approximately the same. The materials salvaged from the Crane-Bedford line will be *an addition* to these numbers. The approximately \$5 million of assets

that will be salvaged from the Crane-Bedford line thus will permit a 25% *increase* in INRD's combined capital program for 2010 and 2011 to support INRD's expanding rail business. If this is to happen, the abandonment exemption must be granted and INRD must be permitted to commence salvage operations on the Crane-Bedford line as soon in 2010 as the weather permits.

2. INRD is prepared to support business development activities in the cities of Bedford and Mitchell and in Lawrence County.

INRD understands the principal point made by the business development officials who spoke at the public meeting. The availability of rail service frequently is a selling point when trying to bring a new business to an area. The testimony also illustrated the point that businesses that set rail service as a criterion in locating a new facility do not necessarily use the available rail service after the facility is built. *See* testimony of Andrew Wright, City Attorney of Salem, IN, Tr. 48, 49.<sup>1</sup> (Kimball Furniture had a requirement for rail service when relocating to Salem, rail service was not used.)

Bedford is the only town of significant size on the Crane-Bedford line. All the industry on the line to be abandoned that has received rail service in recent memory is located on the 1.65 mile Bedford Industrial Track in the city of Bedford. The Bedford Industrial Track is in very poor physical condition (it is classified as FRA Excepted Track) and INRD has no plans to salvage the assets in that track for reuse. The rails and OTM would be sold for scrap and the ties would be disposed of. This 1.65 mile line contains approximately 325 tons of rail. At a rough approximation, scrap steel is currently priced at \$350/ton. On this basis, the market value of the rail in place on the Bedford Industrial Track would be approximately \$114,000, less the cost of recovering it.

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<sup>1</sup> Citations to the transcript of the public meeting will be in the form "Tr. xx-yy".

INRD has already told the City of Bedford and the City Mitchell that it is prepared to leave in place the Bedford Industrial Track and to make it available to the White River Port Authority or some other entity intending to maintain rail service. The White River Port Authority is already exploring with CSXT the possibility of acquiring the CSXT line between Mitchell and Bedford which would connect Bedford and the Bedford Industrial Track with CSXT's east-west line through Mitchell. Based on INRD's representation regarding preservation of the Bedford Industrial Track, Mayor Terrell of Mitchell withdrew his objection to the abandonment of the Crane-Bedford line. Tr. 20.<sup>2</sup>

The formation of the White River Port Authority represents a substantial and realistic step forward for the cities of Bedford and Mitchell and for Lawrence County in preserving the option for continued rail service. This vehicle will permit them to acquire the Bedford Industrial Track and the approximately 6 mile CSXT line to Mitchell which in turn will provide an opportunity for continued rail service to Bedford. INRD is prepared to assist the White River Port Authority and the cities and county in accomplishing this goal.

### CONCLUSION

Expedited abandonment of the Crane-Bedford line is consistent with both INRD's need to redeploy the capital assets from that line and with preservation of rail service to Bedford. As outlined above, INRD is prepared to work with the White River Port Authority and the cities of

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<sup>2</sup> The Board has several options for implementing INRD's representation. It could impose a public use condition on the abandonment of the Bedford Industrial Track. It could allow the OFA process under 49 CFR 1152.29 to proceed as provided in the regulations with respect to the Bedford Industrial Track. It could exempt INRD's *discontinuance* of service on the Bedford Industrial Track which would have the effect of requiring INRD to keep the track in place indefinitely. From a procedural standpoint, the ultimate transfer of the Bedford Industrial Track to another rail operator would likely be simplest if the Board exempted the abandonment of the Bedford Industrial Track and permitted the OFA process to proceed normally.

Bedford and Mitchell and Lawrence County to accomplish this objective. Accordingly, INRD asks the Board to grant its petition for exemption.

Respectfully submitted,

THE INDIANA RAIL ROAD COMPANY

By: John Broadley<sup>3</sup>  
One of its attorneys

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Dated: March 16, 2010

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<sup>3</sup> Document filed electronically

## **CERTIFICATE OF SERVICE**

I hereby certify that on this 16<sup>th</sup> day of March 2010 I caused the foregoing RESPONSE OF THE INDIANA RAIL ROAD COMPANY TO STATEMENTS AT THE PUBLIC MEETING HELD MARCH 5, 2010 IN SALEM, IN to be served on all parties of record to this proceeding by depositing copies thereof in the United States mail, postage prepaid, addressed to counsel for such parties, or where parties are not represented, to such parties, at the addresses listed in the Board's service list for this proceeding.

John Broadley <sup>4</sup>

Dated: March 16, 2010

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<sup>4</sup> Document filed electronically.